

Future Today

HOW A CABLE CONNECTED THE WORLD

It was early 1858 when the American entrepreneur Cyrus W. Field asked an English bank to become part of the financing of a deep-sea cable to be laid in the Atlantic Ocean. The goal of this cable was to establish the first telegraph communication line between London and New York.

But was it really possible to lay 4,000 kilometres of cable in an ocean the depth of which remained a mystery? This fundamental question needed to be answered first and, to do this, the bank instructed two of their newest and most technical employees to come up with a recommendation by the following week to decide whether the bank should recommend the investment to their clients. Peter Stafford and James Marsh, the two well educated but inexperienced young clerks were the men tasked to review this enormous project.

The young men had worked on the problem the whole week and it had been a difficult time. Of course, if Mr. Field was successful the project would reap huge profits. There had been sea-cables before but over much shorter distances. However, both men had their doubts. It had been a year since Mr. Field had first tried and failed with this project - fortunately their bank had not been involved in this initial attempt which had ended in financial disaster. But on the other hand, Mr. Field had learned from his first effort and had structured the second one differently. Instead of laying the cable from one coast to the other the plan now was to start from the middle of the Ocean with two ships, one heading to the West to North America, one East towards Britain.

After numerous calculations and consultations with external advisers from their old Universities Stafford and Marsh understood that the central issues were the tremendous tension the cable would have to withstand while sinking to the ocean-floor, the insulation that must work under the extreme pressure and the bitter temperatures of the deep-sea. These technical difficulties lead Stafford and Marsh to the decision not to recommend the investment to the bank's clients. According to their calculations, the cable was not strong enough and the insulation not thick enough.

Despite this very sceptical calculation Mr. Field finally found other financial sources for his project and walked away. Only a few months later in the evening of August 5th 1858 the deep-sea telegraph cable across the Atlantic had become reality! The new strategy of starting from the middle of the Atlantic had worked. As news reached London that the first vessel "Agamemnon" had reached the Irish Coast followed by the second ship the "Niagara" at Trinity Bay in Newfoundland, both Stafford and Marsh felt an impending sense of doom. What had been wrong with their calculation?

Due to the "incorrect" calculation of the two young analysts the bank and their clients had missed a huge investment opportunity. Customers accused the bank of hampering an once-in-a-lifetime investment opportunity. Whilst the bank manager was busy calming down his irate clients, he threw an angry look towards Stafford and Marsh and spat "*We will talk about this later*".

Later that evening Marsh looked at his children with great sorrow; would he still have a job tomorrow?

In the meantime, Cyrus W. Field was celebrated as a hero and pioneer. On September 1st, 1858, huge celebrations took place in New York and on the same day the New York Times wrote "*The cable-fever runs wild*". Europe and America no longer seemed separated by an ocean. Her Majesty Queen Victoria herself sent a telegram through the cable greeting US-President James Buchanan. But in London Peter Stafford and James Marsh were still ignored by their principal and had only been given menial work since. They feared the worst...

Meanwhile the transmission of signals through the cable had become weaker and weaker. An attempt to boost the signal by raising the voltage proved to be fatal: the cable smouldered and the telegraph connection between Europe and America was terminated. Only 400 messages had been sent up to September 1st. Field's project had failed again, and the calculation of Stafford and Marsh had been proven correct.

In London Stafford and Marsh were now celebrated as the best analysts in town. They had anticipated the huge technical challenges connected with a deep-sea cable of such length and in the process had saved the bank's most important customers from tremendous losses. That very same day both were promoted and they discovered how close victory and defeat were to each other.

Cyrus W. Field was beaten but not defeated. Again, he learned from his mistakes and eight years later, in 1866 he successfully placed a lasting cable connection, this time a much stronger one, between the two continents.

This wire was soon used to transmit the daily foreign exchange ratios between GBP and USD and, as a result of the method of communication, the rate soon gained the nickname "cable" within the financial world – a moniker that endures to this day.

To be continued....

History tells us that a structure requires only a few, but consequently very important, elements: experience, professional advice, critical questioning before execution and sometimes the fresh view of a third party.

Establishing a lasting cable-connection between Europe and America required ten years of practical experience. Carey Zurich, established in 2003, combines more than 50 years of practical experience in building suitable and long-lasting structures.

And when can we establish and maintain a structure for you?



Beat H. Haering



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